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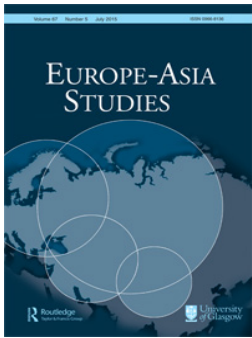
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# Between Amity, Enmity and Europeanisation: EU Energy Security Policy and the Example of Bulgaria's Russian Energy Dependence

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# Between Amity, Enmity and Europeanisation: EU Energy Security Policy and the Example of Bulgaria's Russian Energy Dependence

TOMAS MALTBY

## Abstract

Considering the development of the Bulgarian energy security strategy this article analyses how the country has adapted to EU membership and to energy security challenges, such as disruptions to Russian gas supplies in 2006 and 2009 and rising gas prices. Utilising a conceptual lens which synthesises Regional Security Complex Theory and Europeanisation, the article offers an explanation of energy policy changes. It concludes that conceptions of Russia as an energy security guarantor have changed since Bulgaria's EU accession and that Bulgarian energy policy has undergone a qualified reorientation away from a positive dependence on Russian energy sources, towards a convergence with EU priorities of diversification and a single energy market.

IN 2007, THE EUROPEAN UNION (EU) COMMISSIONER FOR External Relations and Neighbourhood Policy, Benita Ferrero-Waldner, stated that 'with the accession of Bulgaria and Romania the EU has become part of the Black Sea region' (Ferrero-Waldner 2007), yet the Europeanisation of Bulgarian energy policy has been slow and incomplete. EU pressure to implement energy policy objectives and legislation was largely ineffectual in Bulgaria until at least 2009, supported only rhetorically by successive Bulgarian governments. Here Bulgarian reaction to two gas supply disruptions, rising gas prices and EU accession, is examined with reference to the specificity of Bulgarian–Russian economic and political relations. As a contribution to the literature on EU integration and EU–Russia relations, the article highlights the challenge, but also the progress, in creating a common EU energy policy. This is examined in the context of heterogeneous member state energy mixes,

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interests, preferences and energy and trade relations with Russia.<sup>1</sup> The central questions are how Bulgarian energy policy has changed since EU accession in 2007, and what explains these policy changes.

The article draws upon a triangulation of secondary academic literature, primary EU and Bulgarian government documents and 22 elite interviews conducted in Sofia in 2011.<sup>2</sup> It engages with literature on Bulgarian energy policy and Bulgarian–EU relations (Silve & Noël 2010; Georgiev 2010; Bechev 2011; Tchalakov *et al.* 2011; Stefanov *et al.* 2011; Katsikas & Siani-Davies 2011; Katsikas 2012), with the work of Balmaceda (2008a, 2008b) on energy in Lithuania and Ukraine, and with that on Russia's energy strategy and relations with the EU (Hadfield 2008; Faber Van der Meulen 2009; Casier 2011; Bilgin 2011). It is argued that Bulgarian energy policy has been strongly influenced by historical and contemporary cultural, economic and political interlinkages with Russia. A failure to diversify energy supplies or mitigate against future disruptions can be explained by several factors: firstly, the influence of Russia (including related economic and political interests) and the related perception of energy security and positive energy import dependency within Bulgaria; secondly, weak (administrative) capacity as a barrier in defining and implementing independent national energy policy, in line with EU legislation; and thirdly, relatively inactive and impotent South East European regional groupings.

The next section develops a framework that is a synthesis of conceptual approaches used to evaluate and explain member state perceptions of energy security threats and adaptation to EU membership, Regional (energy) Security Complex Theory and Europeanisation. The following section includes a summary of Bulgarian energy policy to 2009, highlighting the first gas supply disruption and the history of Bulgarian–Russian energy relations. This is followed by a section considering the response to the 2009 gas supply disruption and EU membership. The conclusion is that historical and contemporary political and economic factors had contributed to a perception of positive dependency on Russian energy which endured until 2009. The second gas supply disruption had a significant effect on this perception within the Bulgarian government, reflecting a broader securitisation of energy supplies within the EU that resulted in greater Europeanisation pressures;<sup>3</sup> accession-related conditionality to adherence to EU energy legislation and broader objectives of energy supply diversification and internal energy market integration.

The focus of the article is on the energy security of natural gas. It is not within the scope of this article to consider Bulgaria's decarbonisation strategy in detail, but it is acknowledged that Bulgarian national and energy security objectives include developing renewable energy sources and improving energy efficiency (Bulgarian Government 2010, 2011a, 2011b). These could reduce energy demand and dependence on imported energy resources. Energy intensity in Bulgaria is between twice the EU average (based on purchasing power parity (Bulgarian Government 2011a, p. 25)) and five times as high (based on GDP (Eurostat

<sup>1</sup>This divergence is found between newer member states, as well as between newer and older (pre-2004) member states.

<sup>2</sup>It also draws on three interviews in Brussels in 2012 and 2013 and anonymous interviews with government officials, those working in politics and energy NGOs and two Bulgarian journalists.

<sup>3</sup>Casier reflects on this politicisation, or securitisation, of energy policy and relations discourse, that '[s]tatements about energy relations have moved away from a pure economic approach to the interpretation of decisions in a geopolitical and strategic way, stressing issues of dependence and security. This has contributed to a logic according to which EU–Russia relations are interpreted in competitive geopolitical terms' (Casier 2011, p. 540; see also Maltby 2013).

2014a)). There is therefore considerable scope to improve energy efficiency and the Bulgarian government estimates that this could contribute to a decrease in energy demand by 2020 of up to 20%, compared to a 10% increase predicted without these measures (Bulgarian Government 2011a, p. 26).<sup>4</sup> Whilst deployment of renewables slowed in 2013, a boom in Photo Voltaics contributed to Bulgaria being ahead of schedule in reaching its legally binding EU 2020 target of 16% of energy consumption being met by renewables, though this would represent only a modest increase from 13.8% in 2010 (European Commission 2013a, p. 7). Overall, the Bulgarian government predicted that achieving ambitious national decarbonisation objectives by 2020 would decrease energy import dependence from 50% to between 37% and 48% in 2020 (Bulgarian Government 2011a, pp. 37–39).

Energy efficiency, renewable energy sources and domestic gas, conventional and shale,<sup>5</sup> are all likely to play a role in increasing Bulgaria's energy security in the medium to long term. However, for Bulgaria to address the shorter term energy security challenges of mitigating against rising, monopolistic gas prices and potential supply disruptions,<sup>6</sup> this article considers the extent to which the Bulgarian governments since EU accession have attempted, and succeeded, in pursuing measures to diversify gas supplies and become connected to a burgeoning EU gas market; both measures potentially increasing competition in the gas market and reducing supply risks and gas prices.

### *Conceptual framework*

The conceptual framework is a synthesis of Europeanisation and Regional Security Complex Theory (RSCT), applied to energy security policy and to perceptions of security and energy dependence. Developed by Buzan and Waever, RSCT claims that '[s]imple physical adjacency tends to generate more security interaction between neighbours than among states located in different areas' (Buzan & Waever 2003, p. 45), and this concept has been applied to energy as a regional energy security complex (Palonkorpi 2008). Sharples points out that this framework is applicable to energy given that 'security of supply through external imports is also inherently relational' (2012, p. 31). States geographically closer to Russia tend to have a higher dependency on Russian energy supplies and associated higher risks of supply disruption due to less diversified sources of supply in their energy mix (Eurostat 2014b), a result of long-term gas contracts and the legacy of Soviet energy infrastructure.

Buzan and Waever (2003, p. 47) posit that it is patterns of amity and enmity that influence the identification of security threats. Measurements of energy security are not wholly objective; dependence on a single energy source can shift between a perception of a mutually beneficial interdependency and negative, unequal and even threatening dependency,

<sup>4</sup>However, in January 2013 the Commission issued a reasoned opinion (warning) concerning lack of progress on energy efficiency measures in buildings in January 2013 (European Commission 2014).

<sup>5</sup>Since January 2012 there has been a moratorium on shale gas exploration and extraction in Bulgaria, following environmental protests. Chavdar Georgiev, Deputy Minister of Environment and Water, was quoted in October 2013 as saying that 'Shale gas is often cited as one of the ways to diversify energy sources ... we will sooner or later resort to shale gas extraction' ('Bulgaria Will Conduct Shale Gas Drilling Sooner or Later—Deputy Minister', *Novinite*, 3 October 2013, available at: [http://www.novinite.com/view\\_news.php?id=154232](http://www.novinite.com/view_news.php?id=154232), accessed 20 January 2014).

<sup>6</sup>Energy poverty is also a major energy security issue (Bouzarovski *et al.* 2012; CSD 2013b, p. 2). Some 46.5% of Bulgarian households in 2012 were characterised by an 'inability to keep warm', compared to an EU average of 10.8% (Eurostat 2013a), and 28.4% faced arrears on utility bills, against an EU average of 9.9% (Eurostat 2013b).

depending on the extent to which energy policy has been politicised or securitised. Objective criteria for measuring security of supply are important, such as import dependence and ability to 'serve final energy demand in the event of a major gas infrastructure breakdown' (Silve & Noël 2010, p. 3). However, the identification of threats and the perception of energy security is, to a significant degree, socially constructed and based on normative assumptions of energy indicators and energy dependence, such as 'vulnerability to crisis', probability of supply disruptions and impact on economy and society, as well as mitigation options in the form of storage and alternative emergency supplies (Pointvogl 2009, p. 5706).<sup>7</sup> Defining an event or events as a 'crisis' is also a result of a process of social, political and linguistic construction and narration (Campbell 2002). Historical context plays a role in conditioning invocations of, and responses to, 'crises', and whether an issue becomes securitised and identified as a threat requiring a response (Ciută 2009, p. 317).

For Bulgaria, despite very high dependence on Russian energy sources,<sup>8</sup> existing gas pipeline infrastructure and a close and positive history with Russia and the Soviet Union (relative to other newer member states) contributed towards a perception within the coalition government of 2005–2009, led by the Bulgarian Socialist Party (*Bulgarska sotsialisticheska partiya*—BSP),<sup>9</sup> that Russian energy import dependency was beneficial, guaranteeing security of supplies. In contrast, it has been suggested that, particularly in East Central Europe, dependence on Russian gas has been securitised since the end of communism, resulting in a perception of negative dependency on Russian energy (Faber Van Der Meulen 2009; Neuman 2010; Nosko & Lang 2010). Applying a framework that considers regional energy security complexes and Europeanisation to Bulgaria–Russia and Bulgaria–EU energy relations allows a consideration of the extent to which Russia is perceived to represent a threat to or guarantee of Bulgaria's energy and national security (considering their geographical proximity, energy infrastructure linkages and historical and contemporary relations) and the constraining impact this has had on energy policy-making.

The conceptual framework also considers the process of Europeanisation and its effects—the impact of the EU on domestic politics, policy and polity (Radaelli 2000; Goetz & Hix 2000; Buller & Gamble 2002; Knill & Lehmkuhl 2002), whereby 'the imperatives, logic and norms of the EU become intrinsically absorbed into domestic policy, to the extent that the distinction between European and domestic policy requirements progressively ceases to exist' (Featherstone 1998, p. 24). The focus here is on a strategic political reorientation away from Russia as a guarantor of energy security and towards a convergence with EU objectives for diversification of gas supplies and supply disruption mitigation.

Opportunities are also available to shape EU policy (Bulmer & Lequesne 2002); this is the 'second dimension' of Europeanisation, whereby member states also seek to 'externalise' their national foreign policy positions into the EU level (Tsardanidis & Stavridis 2005, pp. 221–22).<sup>10</sup> In Bulgaria's case, since membership in 2007 there is little evidence of an effective EU agenda and policy influence. As will be demonstrated,

<sup>7</sup>See also Hadfield (2008) and Casier (2011).

<sup>8</sup>70% of nuclear fuel is included in the calculation (Bulgarian Government 2011a).

<sup>9</sup>The BSP-led coalition was formed with the Movement for Rights and Freedoms (*Dvizhenie za prava i svobodi*—DPS) ('Who is Who: Assaulted Bulgarian Ethnic Turkish Leader Ahmed Dogan', *Novinite*, 19 January 2013, available at: [http://www.novinite.com/view\\_news.php?id=147005](http://www.novinite.com/view_news.php?id=147005), accessed 17 January 2014).

<sup>10</sup>See also Börzel (2002, 2003).

Bulgarian energy security policy was largely divergent from that of the EU until 2009, despite government rhetoric to the contrary. Since 2009, and to a greater extent since 2011, there has been increased, though incomplete, convergence between Bulgarian and EU energy priorities, but Bulgaria's potential as an influential EU energy actor (derived from its present and future gas transit state status) was unrealised at the end of 2013.

Through a process of political learning it is considered that actors acceding to the EU reorientate their strategies, and their consideration of the policies and objectives of other member states and of the EU (Zito & Schout 2009, p. 1108–9; Laffan & Tannam 1998, p. 69). Sandholtz (1993) argues that member states' actors constantly redefine, construct and project their interests within the context of their EU membership. Membership then alters interests, or at least the strategically calculating expression of national preferences. The process of Europeanisation provides pressures from the EU then to redefine interests, preferences, policies and strategies. With regard to energy security it is argued that these interests are socially constructed and that, with RSCT, this can explain the evolving conception of Russia and of the EU within Bulgaria on a continuum between energy security threat and energy security guarantor.

### *Bulgarian–Russian gas energy background*

Russian energy has long had a significant role in the Bulgarian economy, with gas exported to Bulgaria since 1974.<sup>11</sup> By the 1980s, 90% of Bulgaria's oil and gas was imported from the USSR and re-exported for profit to Western Europe (Katsikas 2012, p. 223). The 1990s marked a period in which a contest over the rights of gas distribution within Bulgaria exposed Russian political and economic influence. In the 1990s Gazprom effectively tried to take 'control of the pipeline network crossing Bulgaria', as part of a 'set of agreements on economic and military cooperation' signed in May 1995 between Russia and Bulgaria (Katsikas & Siani-Davies 2011, p. 13).<sup>12</sup>

Andrei Lukanov, a Bulgarian MP (former member of the Bulgarian Politburo and first Prime Minister of Bulgaria), was closely linked to Topenergy (half owned by Gazprom) in its negotiations with the Bulgarian government. The outcome was the Bulgarian state controlling less than 50% of the shares in the joint venture importing and distributing Russian gas to Bulgaria. Two years later, Bulgaria was 'buying the most expensive gas in Europe ... [a] textbook example of a rent-extracting scheme: a private group was able to charge public institutions an artificially boosted price' (Ganev 2007, p. 105).<sup>13</sup> A change of government in 1997 to the more pro-Western Union of Democratic Forces (*Sayuz na Demokratichnite Sili*—UDF) led to a reversal of policy but also Russia reducing gas supplies to Bulgaria before 12 year transit and import deals were signed in 1998 (Katsikas & Siani-Davies 2011, p. 14; Katsikas 2012, pp. 147–48). Energy supply and networks of contacts from the communist period had been used to try and influence key Bulgarian energy policy decisions (Bonin 2002), influence which this article will demonstrate endured after EU accession.

<sup>11</sup>'Partners: Bulgaria', South Stream website, available at: <http://www.south-stream.info/?id=85>, accessed 21 May 2015.

<sup>12</sup>See also Katsikas (2012, pp. 146–47).

<sup>13</sup>The extra cost incurred by Bulgaria has been estimated (compared to the France Gazprom import price) at US\$100m per year, compared to \$125m infrastructure World Bank loan in 1995–1996 (Ganev 2007, p. 105).



Russia remains Bulgaria's largest import trade partner and the trend is for an increasing trade deficit with Russia, driven by the rising cost of continued energy imports. This deficit rose from €3.2bn in 2008 to €4.3bn in 2012 (Bulgarian National Statistical Institute 2010, 2012a, 2012b, 2014). In 2011, Bulgaria imported 89% of petrol, 86% of natural gas and 100% of nuclear fuel from Russia (Eurostat 2014b). The natural gas from Russia is supplied exclusively by Gazprom *via* one pipeline and purchased exclusively by Bulgargaz.<sup>14</sup> In 2011, energy import dependence was 37% compared to 54% for the EU (Eurostat 2014b). However, these EU figures categorise nuclear as domestic energy production. The only supplier of nuclear fuel, with long-term binding contracts, is Russia. Categorising nuclear fuel as an import results in energy import dependence of greater than 70% in 2010, predicted to reach 77% by 2030 (Bulgarian Government 2011a).

The security risks of high import dependence and high vulnerability of Bulgaria to gas supply disruptions, derived from high dependence on a single source, Russia, and on a single transit route through Ukraine. This was highlighted in January 2006 when Russian gas was stopped for a day (Silve & Noël 2010). Despite this, almost total dependence on Russia to meet gas demand was not considered a security threat (Bulgarian Government 2008).<sup>15</sup> Diversification of supplies was only rhetorically committed to as part of the EU's energy *acquis* and Bulgarian 'domestic gas monopolies ... had no incentive to invest in infrastructure for interconnections with other markets or in storage capacity' (Dreyer *et al.* 2010, p. 22). Bulgaria had gas storage to cover 35% of daily demand for only two or three days.<sup>16</sup> In 2009, this was demonstrated to be insufficient. On 6 January 2009, natural gas supplies to Bulgaria were stopped for two weeks as a result of further disputes between Gazprom and Ukraine. The 2009 disruption seriously affected hospitals, schools and industry (Pirani *et al.* 2009, p. 53), with total economic losses estimated at €250m (Energy Regulators EU 2010). Due to a lack of gas interconnections, little assistance from other countries arrived during the 2006 and 2009 gas supply disruptions (Georgiev 2010), and in 2011 the Commission ranked Bulgaria as one of the most energy-insecure member states of the Union.<sup>17</sup>

Bulgaria's energy insecurity is also a result of rapidly increasing prices for gas in the EU and higher than average prices linked to an uncompetitive market with a monopoly supplier. There is a correlation between price and diversity of gas suppliers, but also between price, the size of the gas market and the 'strength' of relations with Russia. In the first half of 2012 Bulgaria paid an average of 42.2 €/MWh for Russian gas. This compared unfavourably to the price paid by other newer member state markets such as the Czech Republic 37.4 €/MWh, Estonia 33.1 €/MWh, Latvia 31.7 €/MWh, Lithuania 38.7 €/MWh and Slovakia 31 €/MWh (European Commission 2012c, p. 2).

<sup>14</sup>See, 'Profile: About', *Bulgargaz*, available at: <http://www.bulgargaz.bg/en/index.php?page=2&sid=2>, accessed 28 December 2013.

<sup>15</sup>However, the 2002 Defence White Paper commented on 'the significant defence-related role of the Ministry of Energy and Energy Resources, that is connected with guaranteeing the security of the energy supply network and enhancing the reliability of the energy resources supplies' (Bulgarian Government 2002, p. 70).

<sup>16</sup>Member State General Situation MEMO/09/3 According to the Significance of Impact', Gas Coordination Group, Brussels, 9 January 2009.

<sup>17</sup>'Energy Policy in the Context of the EU 2020 Strategy 8th Edition of the International Conference Secure Energy Supply 2011', *Europa*, SPEECH/11/626, 29 September 2011, available at: [http://europa.eu/rapid/press-release\\_SPEECH-11-626\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-11-626_en.htm), accessed 24 April 2015.



It is argued here that Bulgaria has been subject to Russia's 'divide and rule' practice regarding energy resources in Europe and the former Soviet Union, and used as an economic or political tool, for leverage (Leonard & Popescu 2007; Helm 2007; Bilgin 2011; Le Coq & Paltseva 2012; Balmaceda 2008b, pp. 4–5). As a small undiversified gas market with objectives to diversify, it has been subject to pricing and other political pressure to acquiesce to Russian energy objectives in the region; namely the South Stream gas pipeline. For Bulgaria, signing up to the Russian South Stream gas pipeline in 2012 was implicitly linked to gas price discounts.

*2005–2009: an undiversified and un-Europeanised Bulgarian energy policy*

The BSP-led administration elected to progress with all Russian energy projects in the country whilst in power between 2005 and 2009, despite the short gas supply disruption in 2006.<sup>18</sup> In January 2008, Russian President Putin visited Bulgaria and agreements were signed regarding three new major energy projects with Russia: the Belene nuclear power plant, the Burgas–Alexandroupolis oil pipeline and the South Stream gas pipeline.<sup>19</sup> According to Stefanov *et al.* this ran 'counter to good practices in strategic governance and sound cost–benefit analysis with regards to energy security' (2011, p. 50) and it undermined stated government energy diversification objectives (Bulgarian Government 2008). In the case of Burgas–Alexandroupolis, by obtaining 51% Russian ownership in the pipeline, Assenova (2011) considered that 'Moscow was about to become a non-EU country exercising control over critical EU energy infrastructure'.

All three major energy projects planned by the BSP—oil, gas and nuclear—would have increased dependence on Russian energy sources and an unpublished draft energy policy from 2008 stated the 'critically important' role of long-term gas agreements with Russia to stabilise prices and supply (Bulgarian Government 2008, p. 49).

Gazprom has a monopoly on gas exports from Russia, and these were supplied to Bulgaria via several intermediaries (Overgaz Inc., Wintershall and Gasexport) until January 2013 (Energy Regulators EU 2010). Overgaz Inc. was a joint venture between Gazprom and privately-owned Bulgarian Overgaz and was criticised for its non-transparent business and political affiliations (Socor 2010). It was widely believed that intermediaries in the gas industry significantly increase prices (Socor 2010).<sup>20</sup> Balmaceda argues that Russia has a history of using 'intermediary gas companies to influence the energy policies' and 'political elites abroad' of countries including Bulgaria, Hungary and Serbia (Balmaceda 2008a, pp. 18, 20; Hiteva & Maltby 2014).<sup>21</sup> Similarly, the Bulgarian Center for the Study of Democracy (CSD) noted problems of transparency in the energy sector, including of gas import and transit contracts (CSD 2010, 2012) and argued that 'the very high concentration of the Bulgarian gas market (monopoly of supply and distribution) provides ample opportunities for rent-seeking' (CSD 2013a, p. 1).

<sup>18</sup>The BSP was the senior partner in a three way coalition with the National Movement Simeon II and the DPS (European Commission 2005).

<sup>19</sup>'Russia Hails Bulgaria Energy Deals', *Russia Today*, 19 January 2008.

<sup>20</sup>'Focus on Bulgaria', *ICIS Heren*, 28 February 2009, available at: <http://www.icis.com/heren/articles/2009/02/28/9310096/focus-onbulgaria>, accessed 29 May 2013.

<sup>21</sup>See also Balmaceda (2008b, pp. 9–10).

*Explaining policy inertia*

A key factor in explaining why Bulgaria was slow to develop diversification objectives as part of its energy strategy, despite the 2006 gas supply disruption, is related to the history and enduring legacy of communism and of close energy relations between Bulgaria and Russia and the Soviet Union. In part this was derived from Russia's role in achieving Bulgarian independence from the Ottoman Empire, the 'Bulgarian national awakening', lionised for 45 years of communist rule (Amsden *et al.* 1994, p. 161).<sup>22</sup> Economically the relationship was advantageous, as the Council for Mutual Economic Assistance (CMEA) provided a market for industrial products and access to cheap oil and gas for both domestic use and the profits from reselling to Western Europe (Brown 1992, p. 186). The bond was also a result of shared Slavonic language, Eastern Orthodox Christianity and strong cultural influence from Russia (Katsikas & Siani-Davies 2011, pp. 11–12; Katsikas 2012, p. 5). As a result, in 2008 only 44% of Bulgarians were concerned about Russia compared to 81% in Poland and, in 2011, 88% of Bulgarians polled held a favourable opinion of Russia (German Marshall Fund 2012).

The legacy of close energy relations and dependence on Russian energy resources (nuclear, oil and gas) has influenced the development of Bulgarian energy policy and slowed the implementation of diversification and interconnection measures. Minchev has highlighted the 'concentration and centralisation point toward the [continued] dependency not only of Bulgaria's energy sector, but also on [sic] the overall economic system of the country on Russia' (Minchev 2011). For example, the Russian Lukoil Neftochim Burgas oil refinery, which in January 2012 was reported to be the largest corporate taxpayer in Bulgaria, equal to approximately 9% of GDP, and to 25% of the public revenues in excise duties and taxes.<sup>23</sup>

A limited number of high profile energy actors are considered to contribute to a 'very severe level of corruption in the energy sector (and beyond)',<sup>24</sup> due to a 'revolving door stream of personnel from the state to the private sector and back with no adequate assurances with respect to avoiding conflicts of interest' (Stefanov *et al.* 2011, p. 7). Russian energy actors are considered to have successfully penetrated 'into the highest political levels over time, regardless of their political affiliation' and as a result 'the import of energy sources becomes a serious channel for political influence coming from outside' (CSD 2010, p. 32).<sup>25</sup> This circulation of elites has been found elsewhere in East Central Europe (Szelényi & Szelényi 1995; Rivera 2000), and remains characteristic of the energy

<sup>22</sup>In 2012, Prime Minister Boiko Borisov specifically touted longstanding bilateral ties, lauding Russia's 'decisive role' in liberating Bulgaria from Ottoman oppression ('Russia, Bulgaria to Bolster Ties—Official', *Voice of Russia*, 25 October 2012, available at: [http://sputniknews.com/voiceofrussia/2012\\_10\\_25/Russia-Bulgaria-to-bolster-ties-official/](http://sputniknews.com/voiceofrussia/2012_10_25/Russia-Bulgaria-to-bolster-ties-official/), accessed 18 May 2015).

<sup>23</sup>'Russia's Lukoil Pours USD 1.5 B in Hydrocracking Facility in Bulgaria', *Novinite*, 25 January 2012, available at: [http://www.novinite.com/view\\_news.php?id=136072](http://www.novinite.com/view_news.php?id=136072), accessed 9 January 2014; 'Local Politics and Russian Energy Mix in Bulgaria', *The Moscow Times*, 17 August 2011, available at: <http://www.themoscowtimes.com/business/article/local-politics-and-russian-energy-mix-in-bulgaria/442164.html>, accessed 9 January 2014; 'Bulgaria Forces LUKOIL Neftochim Refinery Shutdown', *Reuters*, 27 July 2011, available at: <http://www.reuters.com/article/2011/07/27/bulgaria-lukoil-idUSL6E7IR0BX20110727>, accessed 9 January 2014; 'Facts and Data', *Lukoil Bulgaria*, available at: [www.lukoil.bg/Main.do?actionName=facts](http://www.lukoil.bg/Main.do?actionName=facts), accessed 9 January 2014.

<sup>24</sup>Interview with newspaper journalist #1, Sofia, 4 July 2011; interview with think tank employee #3, Sofia, 1 September 2011. See also Sutton (2009).

<sup>25</sup>See also Bechev (2011, p. 120) and Pashev *et al.* (2006, p. 38).

sector in Bulgaria, where a ‘closed circle of energy experts’ (CSD 2010, p. 31) have a disproportionate influence on state energy policy-making (Tchalakov *et al.* 2011, p. 12; Pashev *et al.* 2006, p. 37). Pashev *et al.* (2006, p. 41) also call into question the independence of energy experts in Bulgaria, which are in the main employed to provide consultancy services or are employed in the sector. Non-governmental sources also concluded that a lustration exercise within the Ministry of Foreign Affairs and Ministry of Economy, Energy and Tourism (MEET) was limited in scope and effect; ‘musical chairs’ which excluded any disruption to the informal network of key energy actors educated in Moscow, continued to constitute a closely knit group of professionals in government and the private sector.<sup>26</sup>

These vested interests contributed to the conception of Russia as a guarantor rather than threat to energy and national security. A history of numerous security interactions, persistence of Russian political and economic interests and influences, bolstered by close cultural and historical ties contributed to enduring patterns of amity (Buzan & Waever 2003, p. 47). Until 2009, policies were pursued that would have increased energy dependence on Russia, reflecting a government perception of such dependence constituting an energy security guarantee. The Europeanisation of energy policy was limited and undermined by a lack of implementation and countervailing anti-diversification plans for Russian oil, nuclear and gas. During this period there was also a failure to implement the EU’s Second Energy Liberalisation Package, with the Commission opening infringement cases in June 2009 and referring the matter to the Court of Justice of the EU (ECJ) in November 2011 (European Commission 2011). This concerned the lack of transparency in conditions for third-party access to natural gas transmission networks and reflected administrative weaknesses.

A senior interviewee in the MEET acknowledged that a result of the weakness of administrative capacity is the difficulty of major project planning.<sup>27</sup> These ‘involve excessive consultancy fees ... [which] have spawned a sizeable expert lobby ... and [have] obstructed any independent and objective analysis of problematic issues related to project implementation’ (Stefanov *et al.* 2011, p. 34); and as ‘a result of weakly implemented legislation, [there are] ample opportunities for the capture of the (weak) administration by (strong) corporate interests’ (Stefanov *et al.* 2011, pp. 6–7).<sup>28</sup> The Bulgarian energy sector has been characterised by significant penetration by economic and political actors with a vested interest in the perpetuation of dependence on Russian energy resources, for economic gain or because such dependence has been considered unproblematic and even beneficial for Bulgaria. One result has been an attitude within the government (at least until 2011) of, ‘bring[ing] in the minimum only, to say “we have energy security”, not as a nucleus for market integration and the internal market’.<sup>29</sup>

<sup>26</sup>Interview with Bulgarian government official #1, Sofia, 2 September 2011; interview with newspaper journalist #1, Sofia, 4 July 2011. Also, ‘[t]hey worked in the same Communist party committees, and [high profile private energy sector actor] Manchev and [former Energy Minister] Ovcharov studied together in Moscow. [They] recruit their own people into state owned bodies and companies’ (interview with think tank employee #2, Sofia, 26 August 2011).

<sup>27</sup>Interview with senior Bulgarian official #3, MEET, Sofia, 24 August 2011.

<sup>28</sup>See also Tchalakov *et al.* (2011).

<sup>29</sup>Interview with Bulgarian official #2, Sofia, 24 August 2011.

*2009–2011: Bulgaria, a rhetorically Europeanised energy actor?*

As demonstrated, the first gas supply disruption was not sufficient to change policy and perceptions in the Bulgarian government. New Bulgarian objectives followed the January 2009 gas supply disruption, which was a ‘wake-up call’ within the MEET and government, resulting in a perception shift regarding the nature of dependence on Russian energy sources.<sup>30</sup> The Bulgarian public gave the fourth highest response amongst the EU27 to the questions relating to giving priority to the guarantee of energy supply in 2011 (Eurobarometer 2011) and there was a sustained increase between 2005 and 2010 of public opinion favouring energy policy decisions being made jointly with the EU, and a corresponding decrease in the proportion of respondents favouring national decisions.<sup>31</sup> This societal concern was a factor in the July 2009 parliamentary elections which resulted in a new senior partner in the coalition government, Citizens for European Development of Bulgaria (GERB). Whilst the BSP had viewed Russia as an energy security guarantor (as outlined earlier), GERB recognised trade and energy interdependencies, but perceived the pursuance of EU energy objectives (diversification and interconnections) as valuable in securing more advantageous terms for energy prices and in increasing supply security. GERB’s popularity was in a large part a result of ‘a popular backlash against corruption’ (Spendzharova & Vachudova 2012, p. 48), of which energy projects were seen to be susceptible. The party’s campaign was characterised by a degree of anti-Russian rhetoric and the incoming Borisov administration announced a freeze and reassessment of all proposed Russian energy projects (Geropoulos 2010).

Until 2011, the Bulgarian Prime Minister and President had divergent preferences on energy policy. In 2009 President Georgi Parvanov backed the continuation of the outgoing BSP administration’s enhanced dependence on Russia, arguing that ‘the large energy [Russian] projects are an investment in Bulgaria’s energy security’.<sup>32</sup> Rosen Plevneliev, a GERB party candidate who won the November 2011 presidential election, was more critical of dependence on Russia. Plevneliev argued in favour of being actively involved in the EU’s Southern Gas Corridor, ‘a political act [of] solidarity towards a project that will lead to true diversification’ (Rilska 2012). He also reasserted the objectives of completing gas interconnectors to ensure ‘energy security and independence’, stating that ‘[o]ur country will not be Russia’s Trojan horse, it will be Russia’s door to Europe and Europe’s door to Russia’.<sup>33</sup>

Finance Minister Simeon Djankov commented in 2009 that Bulgarian energy policy had been dominated by a principle of ‘anything Russia wants’,<sup>34</sup> and in 2011 the Energy

<sup>30</sup>Interview with think tank employee #2, Sofia, 26 August 2011.

<sup>31</sup>‘Public Opinion’, *Europa*, 2012, available at: [http://ec.europa.eu/public\\_opinion/cf/showtable.cfm?keyID=2673&nationID=27,&startdate=2005.10&enddate=2010.06](http://ec.europa.eu/public_opinion/cf/showtable.cfm?keyID=2673&nationID=27,&startdate=2005.10&enddate=2010.06), accessed 8 August 2012.

<sup>32</sup>‘Bulgaria President Backs Russian-Sponsored Energy Projects’, *Novinite*, 31 July 2009, available at: [http://www.thebulgariannews.com/view\\_news.php?id=106399](http://www.thebulgariannews.com/view_news.php?id=106399), accessed 11 April 2012. In September 2011, the Russian *Kommersant* newspaper reported that a presidential election defeat for Parvanov would result in the loss of a key Russian partner (‘GERB Presidential Runner: Bulgaria to Stay Friends with Russia’, *Novinite*, 6 October 2011, available at: [http://www.novinite.com/view\\_news.php?id=132711](http://www.novinite.com/view_news.php?id=132711), accessed 3 January 2014).

<sup>33</sup>‘Bulgarian Candidate Says Not Anti-Russia’, *UPI*, 11 October 2011, available at: [http://www.upi.com/Top\\_News/Special/2011/10/11/Bulgarian-candidate-says-not-anti-Russia/21661318329060/](http://www.upi.com/Top_News/Special/2011/10/11/Bulgarian-candidate-says-not-anti-Russia/21661318329060/), accessed 24 April 2015.

<sup>34</sup>‘Bulgaria Rethinks Pro-Russian Energy Policy’, *Bloomberg*, 26 November 2009, available at: [http://www.businessweek.com/globalbiz/content/nov2009/gb20091126\\_882942.htm](http://www.businessweek.com/globalbiz/content/nov2009/gb20091126_882942.htm), accessed 8 December 2011.

Minister Traicho Traikov implied that Russia was no longer a reliable energy partner; ‘we need to ... buy only from reliable partners. ... Energy security is not a factor in economic prosperity, but also a key part of national security’.<sup>35</sup> In 2012, Prime Minister Boiko Borisov referred to Russian pressure on Bulgarian energy policy; ‘[i]t is not easy for a small country like ours, in the Balkans, and where the influence of the Russian community is huge’ (Buckley & Barber 2012). Meanwhile, the 2011 National Security Strategy, the first since 1998, emphasised that ‘[h]eavy dependence on energy resources creates economic and political vulnerabilities’ (Bulgarian Government 2011b, p. 35), and that ‘[n]ational security is essentially contingent on energy stability’ (Bulgarian Government 2011b, p. 38). The Strategy also emphasised support for the formulation of an EU common energy policy, supply diversification and interconnections.

There had been a failure to build gas interconnectors with neighbouring countries. Interconnectors mitigate the effects of gas supply disruptions by diversifying emergency supplies of gas and offer the potential for a diversification of sellers in the Bulgarian gas market. Yet despite co-financing from the EU in place since 2009 (€4.4m from the European Energy Programme for Recovery and €2.7m financing by Bulgartransgaz), construction of the Bulgaria–Romania interconnector only began in August 2012 (Dobrev 2012). Interconnectors with Serbia, Greece and Turkey have also been delayed several times. In 2012 they were forecast by the government to be completed at the end of 2014.<sup>36</sup> By 2015 none of these interconnectors, nor one with Romania, had been completed, and the estimated completion dates for the Bulgaria–Greece interconnector had been postponed to 2018.<sup>37</sup>

Despite rhetorical and strategic objective commitment to energy policy change, implementation was slow. The Commission launched infringement procedures against Bulgaria in February 2012 (European Commission 2012a) after the country’s failure to transpose the Third Energy Package by the deadline of March 2011.<sup>38</sup> The EU was also critical regarding the lack of a policy implementation progress, ‘although some desirable reforms were formally adopted ... their implementation remains unsatisfactory due to procurement, the capture of public policies by private interests and poor management of state-owned energy companies’ (European Council 2012; European Commission 2012a).<sup>39</sup>

<sup>35</sup> ‘Bulgarian Minister: Energy is Key to National Security’, *Novinite*, 29 May 2011, available at: <http://www.novinite.com/articles/128697/Bulgarian+Minister%3A+Energy+Is+Key+to+National+Security>, accessed 3 January 2014.

<sup>36</sup> ‘Bulgaria Vows to Build Gas Links with Greece, Turkey by End-2013’, *Novinite*, 1 October 2012, available at: <http://www.novinite.com/articles/143699/Bulgaria+Vows+to+Build+Gas+Links+with+Greece,+Turkey+by+End-2013>, accessed 24 April 2015.

<sup>37</sup> ‘Bulgaria–Greece Gas Link to Be Ready by End-2018’, *Novinite*, 22 April 2015, available at: <http://www.novinite.com/articles/168061/Bulgaria-Greece+Gas+Link+to+Be+Ready+by+end-2018>, accessed 24 April 2015.

<sup>38</sup> Key elements included unbundling network operators from other activities, increasing competition within the EU, increasing the powers and independence for national regulators, greater cooperation between member states, and increasing the capacity and transparency of gas and electricity markets (the gas element of the Third Energy Package, Directive 2009/73/EC (European Parliament and European Council 2009)).

<sup>39</sup> This perception of poor management and lack of independence from government, regarding state-owned energy companies, was shared by numerous government and NGO interviewees in Sofia.

*Explaining implementation inertia*

With co-financing secured for gas interconnectors, the obstacle was widely perceived to be ‘political rather than technical’,<sup>40</sup> and Prime Minister Borisov acknowledged implementation delays in 2012; ‘if we have to compare energy under the previous government and now, there is no difference. ... We are yet to hold ground-breaking ceremonies for gas interconnections this year’ (Leviev-Sawyer 2012). An official for DG Energy in 2015 argued that ‘It’s all there, it’s simply needing a greater amount of political will’ (Gotev 2015).

Part of the failure in this period to implement defined Bulgarian energy objectives was that whilst Bulgaria has been involved in a number of regional groupings which have considered energy security policy, participation has not been backed by the political will necessary to make this a priority. Regional coordination and alliance building has been sub-optimal and not used strategically.<sup>41</sup> Heterogeneous energy mixes and preferences in energy policy and transit of gas in south east Europe have tended to create divisions rather than solidarities between states seeking compromise with the dominant exporter (Chatre & Guedes 2012, pp. 59–63). This is in a large part due to a lack of funding and political will and prioritisation (favouring bilateral diplomacy) and also to ‘disparity of historical development and opposing interests in energy [which] results in an impotent project’.<sup>42</sup> Bulgaria’s participation in the Energy Community (as one of the founders) and the Baltic Sea Region Energy Co-operation has been very limited.<sup>43</sup>

The Bulgarian government organised an Energy Security meeting in April 2009 and in November 2010 launched a ten year plan to develop energy infrastructure in south east Europe. This was followed by a November 2011 Energy Charter meeting. However, there was little follow up of these events.<sup>44</sup> Common policies and responses to EU policy have been hindered by a lack of regional, sub-EU groupings, and the implementation of regional interconnector projects has been undermined as a result. Regional solidarity and common projects and responses are also affected by the influence of the dominant energy supplier in the region, Russia.

Another significant factor has been administrative weakness, the difficulty in defining and implementing energy policy and transposing EU energy legislation. In 1997, the Commission’s opinion was that ‘[t]he current administrative capacity necessary for issuing new regulation to adapt to the [energy] *acquis* and to implement this regulation in practice ... seems insufficient’ (European Commission 1997, p. 61). In 2011, a former senior government energy actor considered that weak administrative capacity remained the main obstacle to effective implementation of EU energy legislation and the projection of national interests at the EU level,<sup>45</sup> with bureaucratic culture also a problem. An interviewee commented that, ‘Ministries have scenarios based on unjustified assumptions ... an

<sup>40</sup>Interview with newspaper journalist #1, Sofia, 4 July 2011; interview with think tank employee #3, Sofia, 1 September 2011; Ivanov (2011).

<sup>41</sup>Interview with think tank employee #2, Sofia, 26 August 2011; interview with foreign government official, Sofia, 4 August 2011; interview with newspaper journalist #2, Brussels, 18 December 2012.

<sup>42</sup>Interview with think tank employee #3, Sofia, 1 September 2011; interview with Bulgarian official #3, MEET, Sofia, 25 July 2011.

<sup>43</sup>Interview with senior Bulgarian official #4, MEET, Sofia, 1 September 2011.

<sup>44</sup>Interview with think tank employee #4, Sofia, 25 August 2011.

<sup>45</sup>Interview with former senior Bulgarian official, MEET, Sofia, 12 October 2011.



unscientific approach to analysis and costing ... [which] are more like policy pieces'.<sup>46</sup> This lack of evidence-based policy-making has its roots in the legacy of the communist political system. Historically, policy-making was a closed process mainly confined to political parties, excluding other actors such as think tanks (Katsikas 2012, p. 68), with 'administration [which] was considered a transmission belt for the implementation of the party-state's policies from the top down to the grassroots level' (Noutcheva & Bechev 2008, p. 128). Since accession, priorities are still considered to be formulated mainly by ministers' political cabinets (Gärtner *et al.* 2011, p. 92), with the remnants of 'a passive and patronage-based public administration' (Andreev 2009, p. 388). The structure of MEET was considered 'very, very hierarchical',<sup>47</sup> with a 'very formal, risk averse' consultation procedure which can 'cripple' policy documents.<sup>48</sup>

Low pay inhibits administrative capacity in Bulgaria and this is acknowledged to be a problem in the energy sector by the MEET; it 'is not competitive with the level of pay in the private sector. The financial and non-financial means for retention and motivation of highly qualified staff are very limited',<sup>49</sup> and an official in the Ministry acknowledged the problem when, 'continuity is required for long term energy projects'.<sup>50</sup> Recruitment and particularly retention difficulties accentuate the problems of developing a coherent energy policy. Interviewees both within and outside government noted the 'huge brain drain' to the Commission and private companies after one or two years of work in the public sector.<sup>51</sup> Expertise commands far higher salaries in the private sector and abroad than in Bulgaria's public sector and, as a result, in 2013 the Commission claimed that with only between 40 and 60 people working on electricity and gas, there was 'serious understaffing' in the Ministry (European Commission 2013a, p. 8).

Also, high ranking Energy Ministry staff having jobs on the boards of state companies, limiting time spent on ministerial work, leading to conflicts of interest and increasing the informal channels of influence, and contributing to the issues of corruption related to the circulation of energy elites noted above.<sup>52</sup> There is a perception that because of this 'double hattedness ... the energy strategy and objectives are clouded by membership of boards of energy companies, and that this results in a lack of neutrality and objectivity in ministries',<sup>53</sup> and contributes to 'rampant corruption' in the energy sector.<sup>54</sup> This situation also limits time spent on government policies.<sup>55</sup>

<sup>46</sup>Interview with think tank employee #1, Sofia, 19 August 2011.

<sup>47</sup>Interview with senior Bulgarian official #2, MEET, Sofia, 2 September 2011.

<sup>48</sup>Interview with think tank employee #3, Sofia, 1 September 2011.

<sup>49</sup>Email interview with an official responding to a set of questions sent to the Ministry by the author on behalf of the MEET, 14 October 2011.

<sup>50</sup>Interview with senior Bulgarian official #6, MEET, Sofia, 12 July 2011; interview with think tank official #5, Sofia, 24 June 2011; interview with think tank employee #4, Sofia, 25 August 2011.

<sup>51</sup>Interview with newspaper journalist #1, Sofia, 4 July 2011; interview with think tank employee #3, Sofia, 1 September 2011; interview with senior Bulgarian official #1, MEET, Sofia, 2 August 2011; interview with senior Bulgarian official #3, MEET, Sofia, 24 August 2011.

<sup>52</sup>Interview with think tank employee #5, Sofia, 24 June 2011; interview with newspaper journalist #1, Sofia, 4 July 2011; interview with think tank employee #3, Sofia, 1 September 2011.

<sup>53</sup>Interview with senior Bulgarian official #5, National Assembly, Sofia, 5 July 2011.

<sup>54</sup>Interview with newspaper journalist #1, Sofia, 4 July 2011; see also CSD (2010).

<sup>55</sup>Interview with senior Bulgarian official #5, National Assembly, Sofia, 5 July 2011; interview with senior Bulgarian official #4, MEET, Sofia, 1 September 2011.



*2011–2013: implementation of energy policy change in Bulgaria*

From 2011, there was a series of substantive government decisions that indicated a political and economic reorientation away from Russian energy, with an increasing commitment to diversifying energy supplies. The 2011 energy strategy (Bulgarian Government 2011a) removed the 2008 draft statement of the ‘critically important’ role of long-term gas agreements with Russia to stabilise prices and supply (Bulgarian Government 2008, p. 49). The Bulgarian government withdrew from the Burgas–Alexandroupolis oil pipeline deal in December 2011, in which Russia held a 51% stake, which was conceived to bring Russian and Caspian oil to the EU *via* Bulgaria and Greece. In March 2012 it was confirmed that the Bulgarian government had also withdrawn from the Russian-backed Belene nuclear power plant project, citing cost and environmental concerns (MacDowall 2012).

The Bulgarian government withdrawals from late 2011 demonstrated a new political will to diversify energy sources away from Russia, yet it was pressured by Russia to commit to the South Stream gas pipeline. In 2009 Russia had implied that the routing could exclude Bulgaria as a transit state,<sup>56</sup> and in 2012 Energy Minister Delyan Dobrev acknowledged that Gazprom had offered gas price discounts in return for commitment to the project. Not signing the final investment decision on South Stream would have resulted in a BEH fine: ‘if “BEH” SA does not take a final investment decision [by the] 15 November 2012, the company will owe Gazprom [the] sum of 70 million dollars. This amount represents the return of discount on the price of gas’ (Bulgarian Government 2012, paragraph 25).<sup>57</sup>

The South Stream agreement was signed on 15 November 2012, in addition to a new contract for the import of Russian natural gas supplies for Bulgaria. A direct link between the two agreements is denied by Russia and Gazprom, but the gas import contract and the South Stream decision were announced on the same day.<sup>58</sup> It has been argued by several sources that these two issues were linked (Gotev 2012; Rilska 2012).<sup>59</sup> This alleged linkage is part of an investigation by the European Commission. They carried out inspections of companies linked to Gazprom—‘Bulgargaz’, ‘Bulgartransgaz’ and ‘Overgas’—in September 2011, suspecting a violation of the conditions of free competition in the common European market. In September 2012, the Directorate General (DG) for Competition opened formal proceedings against Gazprom, suspecting the abuse of a dominant market position to increase prices, prevent diversification and divide gas markets by preventing the flow of gas between member states (White & Shiryayevskaya 2011).<sup>60</sup>

The Bulgarian government signed a six year gas import contract in November 2012, with an optional four year extension and a 20% discount from January 2013 (MEET 2012b). The

<sup>56</sup> ‘Bulgaria Ousted from Russia’s South Stream Pipe’, *Euractiv*, 20 October 2009, available at: <http://www.euractiv.com/energy/bulgaria-ousted-russia-south-stream-pipe/article-186583>, accessed 24 April 2015.

<sup>57</sup> BEH—Bulgarian Energy Holding, the state-owned energy company.

<sup>58</sup> ‘Bulgaria “Commits” to Russian South Stream Project’, *Novinite*, 15 November 2012, available at: <http://www.novinite.com/articles/145134/Bulgaria+%27Commits%27+to+Russian+South+Stream+Project>, accessed 14 January 2014; ‘Bulgaria to Get 20% Cheaper Russian Gas as of Jan 2013’, *Novinite*, 15 November 2012, available at: <http://www.novinite.com/articles/145147/Bulgaria+to+Get+20+Cheaper+Russian+Gas+as+of+Jan+2013>, accessed 14 January 2014.

<sup>59</sup> Interview with official from DG Energy, European Commission, Brussels, 28 January 2013; ‘Leaked EU Paper Maps Energy Infrastructure Black Spots’, *Euractiv*, 18 September 2012, available at: <http://www.euractiv.com/energy/countries-drag-feet-interconnect-news-514841>, accessed 24 April 2015.

<sup>60</sup> ‘Antitrust: Commission Opens Proceedings against Gazprom’, IP/12/937, *Europa*, 4 September 2012, available at: [http://europa.eu/rapid/press-release\\_IP-12-937\\_en.htm](http://europa.eu/rapid/press-release_IP-12-937_en.htm), accessed 24 April 2015.

contract was therefore shorter than previously, secured a discount and removed price inflating intermediary companies, which as argued earlier had been linked to increasing prices. Prices did decrease considerably as a result of signing this contract, as a reward for committing to the South Stream project. As the Commission noted, the premium paid in Bulgaria for Russian gas imports to Bulgaria over those to Germany, ‘decreased from almost 13 €/MWh over the course of 2012 to less than 5 €/MWh in the first four months of 2013’ (European Commission 2013b, p. 21). It is important to note though that this discount was applied to a previous price that had been unusually high. In the second quarter of 2012, ‘Bulgaria paid an average of 42.2 €/MWh’ (European Commission 2012c, p. 13) against an EU cost for Russian gas of ‘typically close to or above 35 €/MWh’ (European Commission 2012c, p. 11).<sup>61</sup>

In early 2012, plans were made explicit to explore conventional gas deposits in Bulgaria,<sup>62</sup> which could increase domestic gas production from 16% of total consumption, and decrease import dependence as a result (European Commission 2013a, p. 5).<sup>63</sup> An agreement was also signed in 2011 to import 1bcm [billion cubic metres] per annum of natural gas from Azerbaijan (which was approximately one third of Bulgarian demand). To facilitate this, a 25 year contract was signed in 2013 to utilise the Trans Adriatic Pipeline (TAP) and interconnections with Greece and Turkey in order to bring this gas to Bulgaria by 2019 (Bulgarian Government 2013). In January 2014, an agreement was signed to link TAP and the Interconnector Greece–Bulgaria (ICGB) and facilitate the import of the contracted Azerbaijani gas from 2019.<sup>64</sup>

Pressure for compliance and a change in Bulgarian energy policy increased as a result of the EU’s Security of Supply Regulation (European Parliament and European Council 2010) and Third Energy Package legislation (European Parliament and European Council 2009). Yet delays in implementation of national energy policy and EU energy legislation have continued. The Commission offered frequent admonitions regarding Bulgaria’s failure to implement gas interconnections in a timely manner, considering these necessary to increase security of supply and to allow new market entrants (European Commission 2012d, 2012e). Delays have not only slowed the realisation of Bulgarian Energy Security (Bulgarian Government 2011b) and National Security objectives (Bulgarian Government 2011a); in February 2012 the Commission issued warning letters (Reasoned Opinions) concerning delays in liberalising the gas market in Bulgaria (European Commission 2012a), and in January 2013, it referred Bulgaria to the ECJ for ‘failing to fully transpose the EU internal energy market rules’, proposing a daily penalty of €8,448 [€3m *per annum*] (European

<sup>61</sup> ‘Bulgaria paid an average of 42.2 €/MWh, the Czech Republic 37.4 €/MWh, Estonia 33.1 €/MWh, Latvia 31.7 €/MWh, Lithuania 38.7 €/MWh, Hungary 30.1 €/MWh and Slovakia 31 €/MWh for Russian gas in that period’ (European Commission 2012c, p. 13).

<sup>62</sup> ‘Bulgaria Starts Exploring Conventional Gas Deposits’, *Novinite*, 11 April 2012, available at: <http://www.novinite.com/articles/138414/Bulgaria+Starts+Exploring+Conventional+Gas+Deposits>, accessed 3 January 2014.

<sup>63</sup> The government signed a contract with the French energy company Total in August 2012 which will invest €1bn in exploring domestic reserves of oil and gas (along with Austrian OMV and Spanish Repsol) (MEET 2012a) and the Energy Minister Dobrev was optimistic that other onshore and offshore exploration would provide energy independence by 2018–2019 (Buckley 2012).

<sup>64</sup> ‘TAP Eyes Reaching into Bulgaria’s Gas Network’, *Novinite*, 7 January 2014, available at: <http://www.novinite.com/articles/157021/TAP+Eyes+Reaching+into+Bulgaria%27s+Gas+Network>, accessed 14 January 2014.

Commission 2013c). This is linked to the political will and also the administrative capacity to develop energy-policy and to also implement it.

### *The explanation of policy change*

Between 2011 and 2013, Bulgaria was still adapting to the 'rules of the EU game', and weak administrative capacity contributed to ongoing problems of formulating and implementing an independent energy policy at the national level, leaving Bulgaria exposed to both EU policy<sup>65</sup> and to Russian pressure.<sup>66</sup> EU pressure increased between 2011 and 2013 in the form of critical reports and infringement procedures (and less tangible pressure from the interaction of Bulgarian energy elite members within the EU). Despite the lack of active, institutionalised regional groupings and administrative weakness, the impact of the two disruptions of gas supplies on the energy security relationship with Russia began, by 2011, to contribute not only to changes in defined energy policy but also to the implementation of these Bulgarian energy objectives. Interconnection projects by the beginning of 2014 were well advanced and conventional oil and gas exploration was ongoing.

Whilst pressure was exerted by Gazprom to commit to South Stream in return for a gas price discount, Bulgaria also managed to maintain direct involvement in the EU's Southern Gas Corridor plans and the Nabucco (West) pipeline plan.<sup>67</sup> Furthermore, it has succeeded in linking new interconnection infrastructure with the TAP in order to import Azeri gas. However, Bulgaria would have taken out a 22 year loan of €620m<sup>68</sup> at a rate of 4.25% to pay towards South Stream (MEET 2013). This was equivalent to €1.5 billion over the term of the repayment, or approximately €70 million per annum until 2035. South Stream was then cancelled by Russia in December 2014 (Korsunskaya 2014).

### *Conclusion*

Political will to increase energy security in Bulgaria was lacking until 2009. Energy insecurity (supply insecurity and price insecurity) was not recognised as a national priority until the BSP-led government was voted out of office following a second gas supply disruption in 2009, amidst rapidly rising gas prices. Despite defining energy policy objectives to address the issue, it was not until 2011 that the new GERB-led government had defined and begun to implement these objectives. Pressures for policy change have come from the EU and also from the interlinked change of perceptions within the government and external increases in prices and supply disruptions. As a result there has been increasing

<sup>65</sup>A '[m]entality of a junior partnership ... passive at the EU level, and wary of offending major partners', interview with newspaper journalist #1, Sofia, 4 July; interview with senior Bulgarian official #2, MEET, Sofia, 2 September 2011; interview with senior Bulgarian official #5, National Assembly, Sofia, 5 July 2011; interview with think tank employee #5, Sofia, 24 June 2011; interview with foreign government official, Sofia, 4 August 2011.

<sup>66</sup>Interview with Bulgarian official #4, MEET, Sofia, 17 August 2011; interview with think tank employee #6, Sofia, 26 August 2011; interview with think tank employee #1, Sofia, 19 August 2011.

<sup>67</sup>'Bulgaria Wants to Make Gas Link to Turkey Part of Nabucco', *Novinite*, 9 October 2012, available at: <http://www.novinite.com/articles/143959/Bulgaria+Wants+to+Make+Gas+Link+to+Turkey+Part+of+Nabucco>, accessed 24 April 2015.

<sup>68</sup>Part of this increase is accounted for by the completion of repayments of a €620m 22 year loan that BEH has taken out from Gazprom 2013–2035 (Bulgarian Council of Ministers 2013).

convergence between Bulgarian and EU energy policy, initially rhetorically, and then in terms of implementation.

Bulgarian energy policy-making has been shaped by the historically derived penetration of economic and political interests whose preferences are for maintaining the *status quo* dependence on Russian energy resources. Enmity and amity perceptions affect the socially constructed interpretation of subjective indicators of energy dependency, energy security and the subsequent identification of security threats. Gas supply disruptions, particularly the second episode, shifted the perceptions of key political actors in Bulgaria away from a consideration of dependence on Russian gas as an energy security guarantor. The timing of the January 2009 Russian gas supply disruption aided the general election victory of the GERB party later in the year and a resultant shift in perceptions of Bulgaria's Regional Security Complex led to a focus on gas supply diversification and the internal energy market. The disruptions also contributed to a stronger EU energy policy and legislative response, as well as greater (though far from great) coherence and competence for the EU as an energy actor (Maltby 2013). As a consequence, the EU is increasingly considered an alternative, or supplementary, energy security guarantor to Russia.

Delays since 2009 were also a result of several characteristics of Bulgarian energy policy-making which proved to be obstacles to achieving stated government policy of re-orientating away from dependence upon Russian energy. These included weak administrative capacity, weak regional coordination and the influence of Russia and other energy actors interested in maintaining the *status quo* of a monopolistic undiversified gas market. With a more diversified gas market slowly developing and set to develop further in Bulgaria, the country has the potential to become a more active and influential EU energy actor, less constrained by its dependence on Russian energy resources and more in convergence with EU energy objectives.

Further research is required to investigate how this policy shift has affected the ability of the Bulgarian government to project its energy preferences at the EU level in terms of decision-making and policy-making. Research is also needed to evaluate Bulgaria's energy security relationship with the US (and US firms such as Chevron) and NATO, which Bulgaria joined in 2004.

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